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E.O.: 12958: N/A
TAGS: [ETRD](#) [EFIN](#) [WTRO](#) [PGOV](#) [UP](#)
SUBJECT: UKRAINE: AMBASSADOR DELIVERS STRONG MESSAGE ON
IMPORT TARIFF LAW, GOU TRYING TO FIX

REFS: A) STATE 17765
B) KYIV 349

SENSITIVE BUT UNCLASSIFIED; NOT FOR INTERNET PUBLICATION.

¶1. (SBU) Summary: Ambassador Taylor has delivered a demarche protesting Ukraine's plans for a 13 percent surcharge on import duties to a range of high-level government officials, including the President. The GOU claims it opposed the law and appears to be looking for a way to remedy the situation. The government may introduce new legislation to eliminate or reduce the 13 percent surcharge. End Summary.

¶2. (U) Ambassador Taylor delivered ref A demarche, concerning Ukraine's adoption of legislation to raise import tariffs (ref B), to the following high-level officials: President Victor Yushchenko, 1st Deputy Prime Minister Oleksandr Turchinov, and Deputy Prime Minister (for International Affairs) Hryhoriy Nemyrya. Econoff also delivered the demarche to Volodymyr Baluta, head of the Ministry of Economy's WTO Department, and Yevgen Burkat, head of the MFA's Trade Policy Division. Ambassador Taylor has requested a meeting with Minister of Economy Bohdan Danylyshyn to discuss further.

¶3. (SBU) DPM Turchinov told the Ambassador on February 25 that GOU leadership had in fact opposed the tariff increase and encouraged the President to veto the law. The Ambassador pointed out in response that members of BYUT, PM Yulia Tymoshenko's electoral bloc, had voted overwhelmingly in favor of the law and that Serhiy Teriokhin, a prominent BYUT MP, had been the driving force of the initiative.

¶4. (SBU) Meeting with the Ambassador on February 26, DPM Nemyrya recognized the problem but did not offer any potential way forward. (Note: Nemyrya, on the margins of a February 24 event, had previously intimated to Econoff that the GOU was looking for a legal loophole to either suspend enforcement of the law or to reduce the impact on importers. End note.) Baluta told Econoff on March 2 that the Ministry of Economy was drafting a new law to lower the import tariff surcharge from 13 percent to 2-3 percent. Baluta added that the Ministry was drafting an official WTO notification on the new tariffs and would submit it as soon as the Ministry of Finance provided some necessary data, expected by the week of March 9.

¶5. (U) PM Yulia Tymoshenko told the press on March 5 that

the GOU was planning to submit a draft law to parliament to lower or eliminate altogether the 13 percent surcharge. Tymoshenko noted that the devaluation of the hryvnia (the national currency) had already eased Ukraine's trade deficit, making the surcharge "unnecessary." Tymoshenko added that the "introduction of a 13 percent extra duty charge directly contradicts Ukraine's agreements within the WTO."

TAYLOR